

Message Text

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ACTION ARA-14

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TAGS: ETRD, BEXP, UY
SUBJECT: COMMERCIAL IMPLICATIONS OF NEW GOU AGRICULTURAL
POLICY

REF: MONTEVIDEO 2732

1. SUMMARY. THE GOU HAS RECENTLY MADE SEVERAL RADICAL
CHANGES IN ITS AGRICULTURAL POLICY. DECREES HAVE BEEN
ISSUED AUTHORIZING THE DUTY-FREE IMPORTATION OF FERTILIZER,
AGRICULTURAL TRACTORS AND OTHER AGRICULTURAL MACHINERY AND
MATERIAL. URUGUAYAN DEMAND FOR SUCH AGRICULTURAL INPUTS SHOULD
BE STIMULATED BY THE NEW MEASURES. END SUMMARY.

2. AS REPORTED IN REFTEL, IN MID-AUGUST THE GOU
ANNOUNCED A SERIES OF CHANGES IN ITS AGRICULTURAL POLICY
WHICH SHOULD WORK A BASIC CHANGE IN THE PROSPECTS FOR
URUGUAYAN AGRICULTURAL PRODUCTION, PROVIDING AN IMPORTANT
INCENTIVE FOR INVESTMENT AND ADOPTION OF NEW TECHNOLOGY.
A FUNDAMENTAL FEATURE OF THE ANNOUNCED CHANGES IS THE
ELIMINATION OF IMPORT DUTIES AND OTHER CHARGES ON AGRICULTURAL
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INPUTS INCLUDING MACHINERY, FERTILIZER, RAW MATERIAL FOR
FERTILIZER PRODUCTION, SEED, WIRE FOR AGRICULTURAL USE, ETC.

3. THE IMPLEMENTING LEGISLATION AFFECTING AGRICULTURAL
MACHINERY AND OTHER AGRICULTURAL INPUTS WAS ISSUED
AGUSUT 11, 1978. (COPIES OF THE DECREES ARE BEING POUCHED
TO ARA/ECP.) DECREE NO. 463/978 OF AUGUST 11, 1978,

PERMITS THE DUTY-FREE ENTRY OF FERTILIZER; RAW MATERIAL FOR FERTILIZER PRODUCTION; RAW MATERIAL FOR MAKING PLASTIC BAGS USED FOR FERTILIZER, GRAIN, SEED, AND MILK; SEEDS; CERTAIN ANIMAL VACCINATIONS; WIRE FOR AGRICULTURAL USE AND CERTAIN OTHER AGRICULTURAL INPUTS. SUCH DUTY-FREE TREATMENT OF THESE MATERIALS HAD ALREADY BEEN PROVIDED BY DECREE NO. 66/978 OF FEBRUARY 1, 1978, BUT INCLUDED A DECEMBER 31, 1978, DEADLINE. SIMILAR YEARLY TREATMENT HAS BEEN PROVIDED FOR THESE AGRICULTURAL INPUTS AT THE START OF EACH YEAR FOR MANY YEARS. THE BENEFIT OF THE NEW DECREE IS THAT NO YEAR-END DEADLINE IS ESTABLISHED.

4. DECREES NOS. 464/978 AND 465/978 OF AUGUST 11, 1978, PROVIDE THE IMPLEMENTING LEGISLATION AFFECTING AGRICULTURAL MACHINERY. THE FORMER AUTHORIZES THE DUTY FREE ENTRY OF AGRICULTURAL MACHINERY AND AGRICULTURAL TRACTOR KITS FOR ASSEMBLY IN URUGUAY (THE DUTY AND SURCHARGE HAD BEEN 30 PERCENT). SUCH EQUIPMENT AND KITS ALSO ARE EXONERATED FROM THE PAYMENT OF THE VALUE ADDED TAX (7 PERCENT), CONSULAR FEE (4 PERCENT), PORT FEES (13 PERCENT), AND A FEE FOR THE MOVEMENT OF GOODS THROUGH CUSTOMS (2 PERCENT). THE AGRICULTURAL TRACTOR ASSEMBLY INDUSTRY IS ALSO RELEASED FROM LOCAL CONTENT REQUIREMENTS AND FROM THE REQUIREMENT OF COMPENSATING IMPORTS WITH EXPORTS. IMPORTS OF ASSEMBLED AGRICULTURAL TRACTORS AND AGRICULTURAL MACHINERY WILL BE ASSESSED ONLY A 10 PERCENT SURCHARGE. DECREE NO. 465/978 UNCLASSIFIED

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AUTHORIZES THE DUTY-FREE ENTRY OF SPARE PARTS FOR AGRICULTURAL TRACTORS AND MACHINERY.

5. IMPLICATIONS FOR THE UNITED STATES. THE DECREE CONCERNING FERTILIZER IMPORTS SHOULD NOT AFFECT THE U.S. EXPORT TO URUGUAY OF SUCH MATERIALS TO ANY DEGREE SINCE THE MATERIALS WERE ALREADY IMPORTED DUTY-FREE. THERE IS THE RELATIVE CERTAINTY THAT THE ARRANGEMENT WILL NOT COME TO AN END COME DECEMBER 31 OF THIS YEAR, WHICH IS A POSITIVE DEVELOPMENT, BUT NOT ONE WHICH IS LIKELY BY ITSELF TO INCREASE DEMAND. THE DECREE CONCERNING THE IMPORTATION OF AGRICULTURAL TRACTORS AND OTHER AGRICULTURAL MACHINERY SHOULD BENEFIT THE LOCAL JOHN DEERE, J.I. CASE, INTERNATIONAL HARVESTER AND FORD DEALERS, WHO BELIEVE THEIR ASSEMBLY OPERATIONS WILL REMAIN PROFITABLE. THE REDUCED PRICES TO THE CONSUMER SHOULD STIMULATE DEMAND, PARTICULARLY IF THE FINANCING CAN BE ARRANGED. THE FREEING OF BEEF PRICES FROM GOVERNMENT CEILINGS, AND THE RESULTANT PRICE INCREASES, ALONG WITH THE OTHER MEASURES DESIGNED TO STIMULATE THE AGRICULTURAL SECTOR SHOULD RESULT IN A GENERAL INCREASE IN AGRICULTURAL INVESTMENT AND INPUT DEMAND. TO THE EXTENT U.S. SUPPLIERS CAN

FAVORABLY COMPETE WITH OTHER TRADITIONAL SUPPLIERS,
U.S. MARKET SHARES WILL BE INCREASED.
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